Note on Strategic Positioning

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In the opening session of 15.810 we introduce the basic structure of marketing analysis, the 4 P's and 5 C's. The 5 C's, customer, company strengths, competition, collaborators, and context enable you to analyze the strategic situation which will guide your marketing strategy. The 4 P's, product, place, promotion, and price, provide an analysis framework so that you can develop effective marketing tactics to maximize long-term profit. The opening session introduces this framework with simple examples. The remainder of the course helps you learn to use this framework by example and theory. Some sessions use the entire framework while others focus specifically on one of the C's or one of the P's. This framework is summarized in your assigned reading, entitled "Note on Marketing Strategy."

This note introduces the concept of strategic positioning. Your "positioning" strategy is the core of your marketing strategy. It tells you which segment of customers that you are addressing (customer), how you are perceived by those customers (your company strengths), and how that compares to competition (competitors' positionings). You affect the positioning strategy by selecting the benefits you provide to customers (your product, by communicating to customers [promotion]), by the benefits provided by the channels of distribution (place), and by the strategic price. Positioning is the first, but not the only step, in developing effective marketing strategies and tactics. The examples in this note draw from consumer package goods (laundry detergents) and consumer durables (SUVs), however, the basic concepts apply to services, both in-person and web-based, and to B2B products and services.

Positioning is critical to the entrepreneur. Even if the entrepreneur is marketing an innovative new product, he or she must consider how the new product is positioned against the

ways in which customers now address their customer needs. An entrepreneur may not be able to afford large-scale market research (as in our examples), but can certainly develop positioning strategies by talking to customers using the methods we discuss in the "Note on the Voice of the Customer."

The Concept of Brand Positioning

Figure 1 reproduces three recent print advertisements for sport utility vehicles (SUVs). These are just a small sample of the many SUVs on the market and a small sample of the advertisements for the three SUVs shown. Nonetheless, the advertisements provide insight on what we mean by "positioning."

Take a moment and look at these three advertisements. Later in the course we'll learn to critique the advertising copy, the choice of pictures, and the layout. But not now. Simply ask yourself what <u>you</u> infer from the advertisements. Consider first the Subaru advertisement. Subaru has chosen to show their SUV off-road, covered in mud, with a tag line about what the endorser does with his Subaru. If those are <u>your</u> goals, and if you like to take your SUV off-road, then this advertisement positions the Subaru for you and what you want to do. If those are not your goals, then you may not be in the target market.

Now contrast the Subaru advertisement with the Honda CR-V advertisement. Honda has chosen to show the CR-V as it would appear in an urban or suburban environment—no mud, just a "beauty shot." We are told about its irresistible styling and its satellite navigation system. The largest images are cupcakes. What does this advertisement say to <u>you</u>? Whatever you answer, your answer for the Honda CR-V advertisement is likely different than your answer for the Subaru advertisement. Honda is trying to appeal to a different set of customers who have a different set of customer needs. The Subaru and the Honda CR-V are positioned differently.
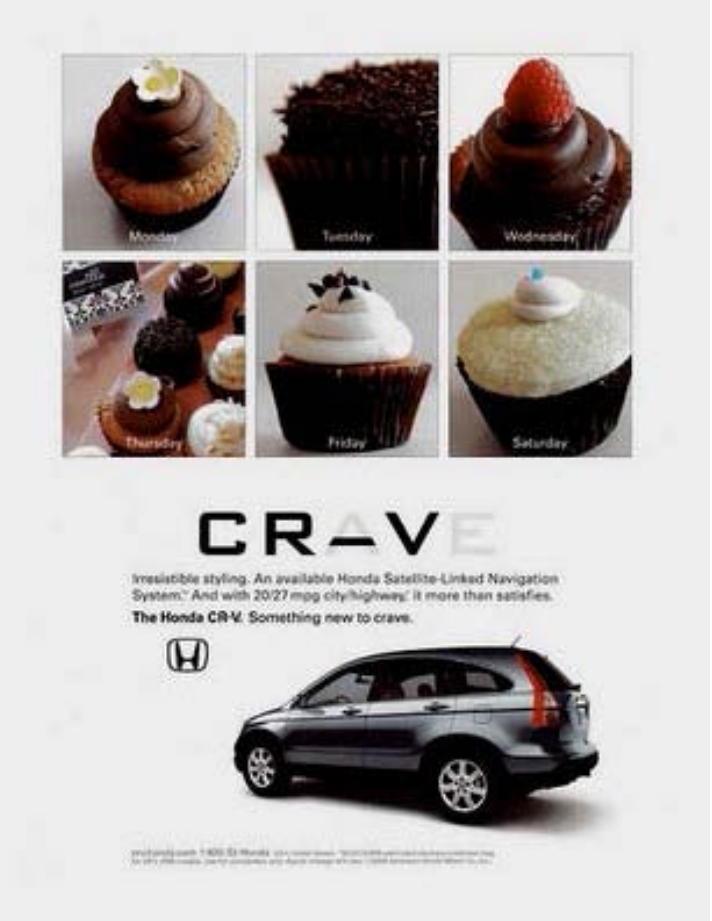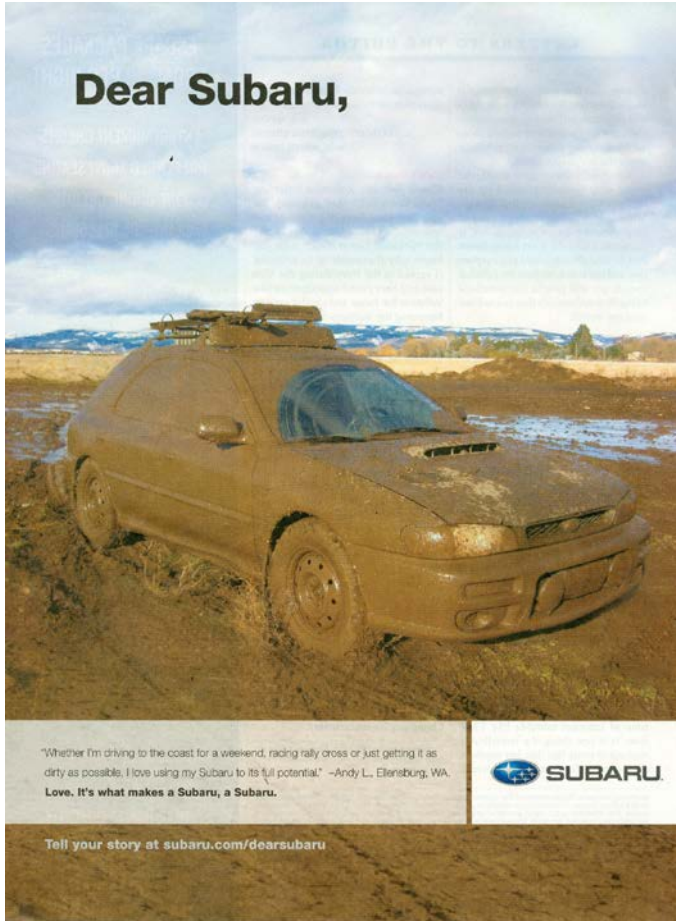
Figure 1. Three SUV Advertisements

Finally, take a look at the Jeep advertisement. The Jeep is shown off-road (on a beach), but it's not covered in mud. We see two beauty shots of the Jeep, albeit one is quite small. The tag-line talks about going where few gas stations exist. Again, ask yourself what <u>you</u> perceive about the Jeep from this advertisement. Likely, your answer is someplace between your answer for the Subaru and your answer for the CR-V.

These advertisements are part of larger, more-complex campaigns and your image of each of these SUVs depends upon many stimuli including past advertisements, word-of-mouth from your friends, visits to dealers, the your own experience with the products, etc. The net effect of all of these cues leads to Subaru's, CR-V's, and Jeep's positionings in the market for compact SUVs. Each is offering something different and, likely, to a different set of customers.

Positioning Maps

To select a positioning a firm needs to know how customers perceive its products relative to competition. Such data are usually summarized by a positioning map (also called a perceptual map). A positioning map tells us how our brand is perceived relative to competitor's brands. The positioning map might also tell us the customer benefits (customer needs) that define the dimensions upon which products are positioned.

Given the importance of positioning to marketing strategy it should not surprise us that there are a large number of ways in which to develop positioning maps. This note reviews representative positioning maps, as well as the customer data from which maps are developed. This note avoids a more-technical discussion. We want you to understand how to use positioning maps. Should you be interesting in the actual creation of a positioning map, an advanced course, 15.822, Strategic Marketing Measurement, provides the requisite technical details.

Figure 2 is a positioning map from an article by DeSarbo, Grewal, and Scott in the *Journal of Marketing Research*. The article focuses on methods, but we use the figure as illustrative. The authors found four dimensions upon which SUVs were positioned. As an illustration Figure 2 provides a map using the first two dimensions.

Figure removed due to copyright restrictions. See Figure 2: DeSarbo, W.S., R. Grewal, and C.J. Scott. "A Clusterwise Bilinear Multidimensional Scaling Methodology for Simultaneous Segmentation and Positioning Analyses." *Journal of Marketing Research* 45, no. 3 (2008): 280-292.

Figure 2. Positioning Map for SUVs.

(from DeSarbo, Grewal, and Scott, 2008)

Figure 2 is complex, so let's deconstruct it step by step. There are two dimensions, currently unnamed. Later in this note we use customer data to name the horizontal dimension "performs well" and to name the vertical dimension "value." Brands are positioned with respect to these dimensions. For example, the Jeep Wrangler if very strong on "rugged off-road performance" and medium on "value." The CR-V is very strong on "value," but below average on "rugged off-road performance." You might wonder why anyone would purchase the Chevy Tracker and the Hyundai Santa Fe, which are low on both dimensions. Recall there are two other dimensions that are not shown in Figure 2. They are "practical size" and "general popularity." The Chevy and the Hyundai might provide benefits as defined by those dimensions.

The blue arrows indicate how customer needs relate to the dimensions. The longer the arrow the stronger the relationship. For example, the customer need of "good ride/handling off-road" is strongly related to the first dimension as is "built rugged and tough." [It has a long arrow in mostly in the direction of the first dimension.] "Good value for the money" is related

to the second dimension, "value." If we improve the image of an SUV on "good ride/handling off-road," then its position will be strengthened on "rugged off-road performance." We might improve the image by improving the SUV's characteristics, by improving communications about the SUV, or by other marketing tactics.

The red dotted lines provide insights about customer segments. These lines indicate the preferences of the customers in each of five segments. For example, customers in Segment 3 prefer SUVs that perform well and are willing to sacrifice value to fulfill those needs. Segment 2 is focused on "value" and is willing to sacrifice "rugged off-road performance." Segments 1 is willing to sacrifice value for benefits provided by the other two dimensions (not shown). Often, the length of the customer-preference "vector" indicates the number of customers in the segment.

The Jeep Liberty does well for Segment 3. Studies that produce positioning maps often collect data on customer characteristics. By examining the characteristics of customers in Segment 3, Jeep directs its marketing efforts efficiently. For example, if customers in Segment 3 tend to interested in hiking and back-packing, Jeep might direct its advertisement toward media that appear to customers who hike and back-pack.
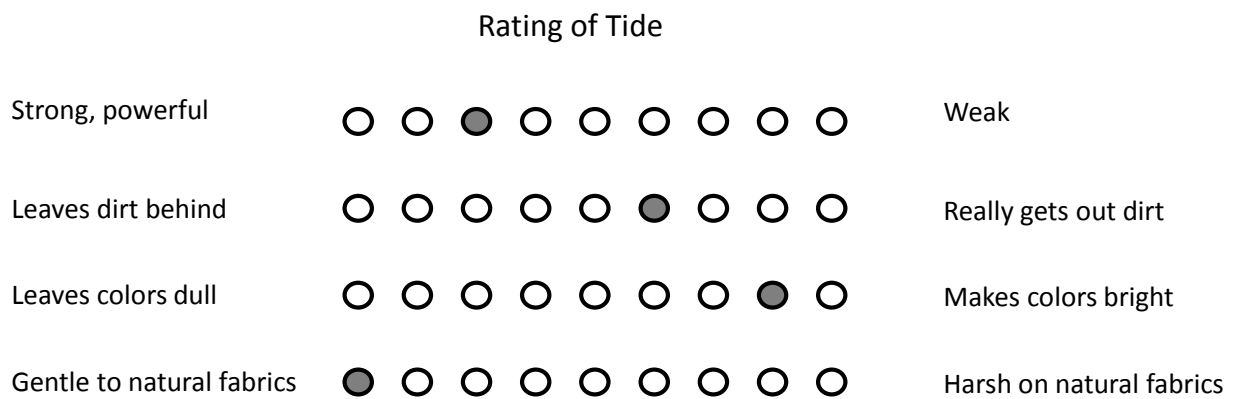
More Details on How Positioning Maps are Developed

The market research study that created Figure 2 was part of a 2002 study undertaken by a large US automotive research supplier. Customers were drawn from an automotive customer panel of 600,000 nationally representative households. Respondents were screened to be new vehicle "intenders," that is those customers who would be in the market in the next 6-12 months. Customers were drawn from 16 automobile, 10 light truck, and 3 SUV intender-segments. Figure 2 is based on 360 respondents rating 18 compact SUVs. (Only the top eleven brands, which account for 88% of the submarket, are shown in Figure 2.) Data included "familiarity with each make/model, advertising recall, overall opinion, purchase consideration, image attribute ratings, and awareness of model 'redesign.'" (DeSarbo, et al. 2008).

The mathematical and statistical analysis used to create Figure 2 are complex and beyond the scope of this note. To illustrate the basic idea of positioning it is more informative to use a simple example based on a positioning map for laundry detergents. This example is based

on Urban and Hauser (1993), but updated to current brands and modified for illustrative purposes.

Suppose that Procter & Gamble is interested in mapping the position of their Tide brand. They might draw respondents from a representative customer panel and ask them to rate each brand on twenty customer-need scales such as the four scales shown in Figure 3. (Customers must be knowledgeable about the brand in order for the ratings to be accurate. To achieve this goal customers are asked to rate only those brands that they would seriously consider.)

Rating of Tide

Strong, powerful	○ ○ ● ○ ○ ○ ○ ○ ○	Weak
Leaves dirt behind	○ ○ ○ ○ ○ ● ○ ○ ○	Really gets out dirt
Leaves colors dull	○ ○ ○ ○ ○ ○ ○ ● ○	Makes colors bright
Gentle to natural fabrics	● ○ ○ ○ ○ ○ ○ ○ ○	Harsh on natural fabrics

Figure 3. Example Bipolar Customer Needs Scales for Laundry Detergents

Using a statistical technique called factor analysis, the research company compute the correlations of each customer-need scale with each latent dimension. It is nature of factor analysis that a statistician can compute correlations between customer-need scales and latent, unobserved positioning dimensions. As in Figure 2, factor analysis identifies the latent dimensions and <u>then</u> related the dimensions to the scales.

Using factor analysis, a statistician might produce a table of correlations such as shown (in red) on the left side of Figure 4. For example, "strong, powerful," "gets out dirt," "makes colors bright," "removes grass stains," "gets whites really clean," "removes collar soil," and "removes stubborn stains" all correlate highly with the first dimension. Based on the customer needs that correlate with dimension 1, we name it "clean effectively." Likewise, we name the second dimension as "gentle to fabrics."

Figure 4 also reproduces in numerical form the data shown in the automobile positioning map. (The blue lines in Figure 2 are a graphic representation of the correlations in Figure 4.

Using these dimension-by-customer need correlations, we named the dimensions "rugged off-road performance" and "value." These labels are summaries that help managers talk about the positioning dimensions. However, it is the underlying needs that really define the positioning dimensions and, often, it is the underlying needs that provide the insight for marketing and product-development strategies to improve a brand's position relative to competition.

Customer Need	Clean Effectively	Gentle to Fabrics
Strong, powerful	**0.70**	0.23
Gets out dirt	**0.70**	0.19
Makes colors bright	**0.75**	0.26
Gentle to natural fabrics	0.19	**0.72**
Concentrated	0.09	0.20
Removes grass stains	**0.64**	0.26
Won't harm colors	0.15	**0.77**
Good for greasy oil	**0.69**	0.14
Easy to use	0.47	0.18
Pleasant fragrance	0.35	0.20
Won't harm synthetics	0.28	**0.73**
Acceptable color	0.44	0.19
Convenient package	0.44	0.13
Gets whites really clean	**0.72**	0.27
Good form (liquid vs. powder)	0.44	0.31
Good for the environment	0.23	0.48
Removes collar soil	**0.52**	0.29
Reliable manufacturer	0.14	0.42
Removes stubborn stains	**0.64**	0.36
Safe for lingerie	0.16	**0.73**

Customer Need	Rugged Off-road Performance	Value
Gas mileage	-0.45	**0.71**
Value for the money	0.13	**0.82**
Workmanship	0.47	**0.88**
Good ride/handling	0.29	**0.69**
Easy to load/unload	0.49	0.46
Luxurious	0.28	0.46
Good safety	0.33	**0.57**
Ride/handling off-road	**0.97**	0.18
Built rugged and tough	**0.97**	0.21
Reasonably priced	-0.38	0.07
Sporty	**0.89**	0.34
Good looking	**0.86**	0.24
Good vehicle for family use	0.11	0.28
Fun to drive	**0.94**	0.21
Interior passenger room	0.13	0.24
Easy to enter/exit	0.49	0.30
Dependable	0.55	**0.83**
Excellent acceleration	**0.83**	0.44
Cargo space	0.24	0.32
Lasts a long time	0.56	**0.85**
Prestigious	**0.70**	**0.62**
Technically advanced	0.40	**0.75**
High trade-in value	0.52	**0.85**
Mean consideration	0.34	-0.06
Market share	0.35	-0.18

Figure 4. Factor Loadings for Laundry Detergents and Dimension-by-Customer-Need Correlations for Automobiles
(From Urban and Hauser 1993 and DeSarbo, Grewal, and Scott 2008)

Subsequent notes in this series, the "Note on the Voice of the Customer" and the "Note on Conjoint Analysis" describe how we gather and use data to estimate the red dotted-line segment-preference vectors in Figure 2. For example, if we describe to a customer how brands vary on "strong, powerful" and on "gentle to natural fabrics," we can ask questions that reveal the tradeoffs consumers make between these customer needs. Alternatively, once we have the positioning dimensions we can use a form of linear regression to estimate the tradeoffs that

consumers make between the positioning dimensions.[1]

      After we identify and name the positioning dimensions, and after we relate the customer needs to the dimensions, we use the survey data to plot the positions of each brand on the positioning map.[2] Figure 5 provides an illustrative map for laundry detergents. Arm & Hammer's Oxiclean brand is perceived to clean very effectively, but is not necessarily gentle to fabrics. On the other hand, Procter & Gamble's Ivory detergent is quite gentle to fabrics, but is not perceived to clean as effectively. Tide is positioned in the middle.
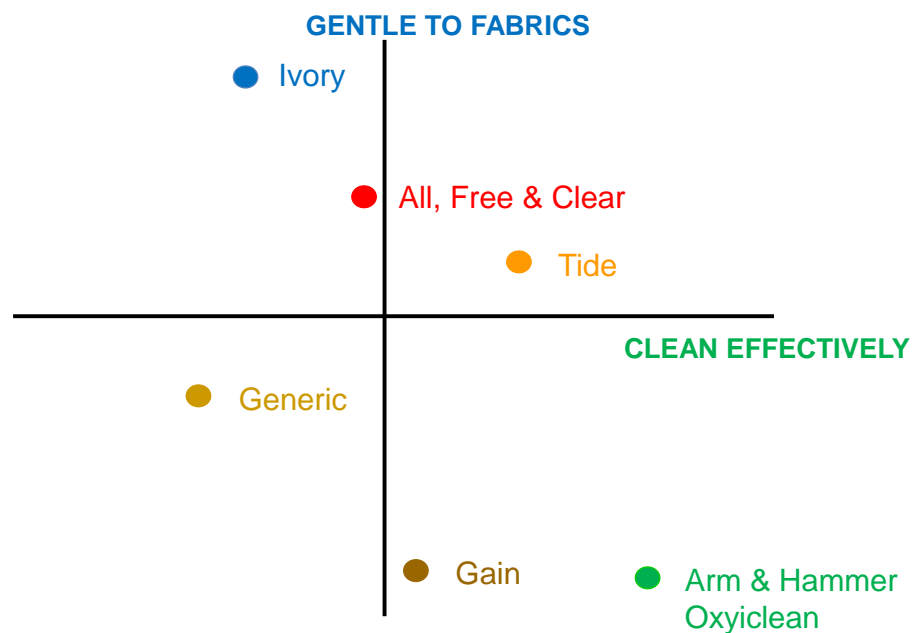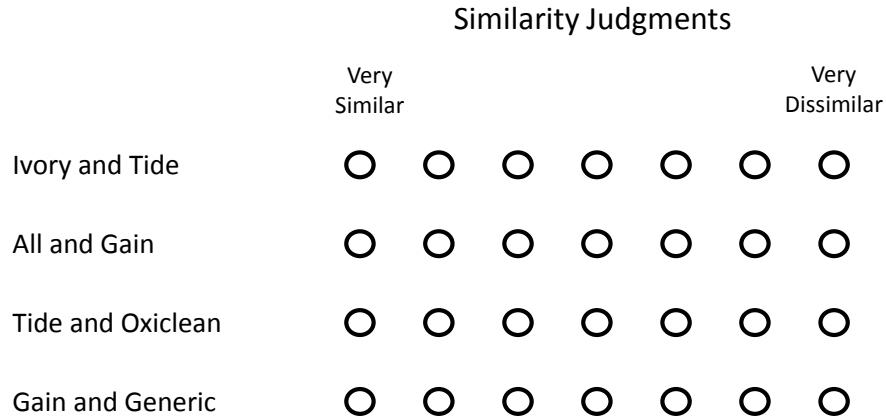

Figure 5. Illustrative Positioning Map for Laundry Detergents

      Another common means to produce positioning maps is to ask customers to rate each pair of products on similarity. See Figure 6. "Multidimensional scaling" software then places products on a positioning map so that the distances between pairs of products are proportional to how dissimilar the pairs of products are judged. For example, if Figure 5 had been produced from similarity judgments, it would represent that Arm & Hammer's Oxiclean is quite dissimi-

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[1] Linear regression is covered in the core curriculum by 15.060, "Data, Models, and Decisions." If preference is scaled, say on a 1 to 9 scale, we can use regular regression. If preference is measured as prefer or not, then a logit model is necessary. Methods such as hierarchical Bayes analysis can relate preferences to individual consumers and/or segments.

[2] Figure 5 is purely illustrative for the sake of pedagogy. There are a variety of methods to obtain brand positions from the customer-need data, but one simple method is to average the ratings on each of the customer needs that correlates strongly with the dimension.

lar from Ivory and that All, Free & Clear is quite similar to Tide. As in Figure 4, dimensions are named by regressing brand positions on customer ratings of customer needs.
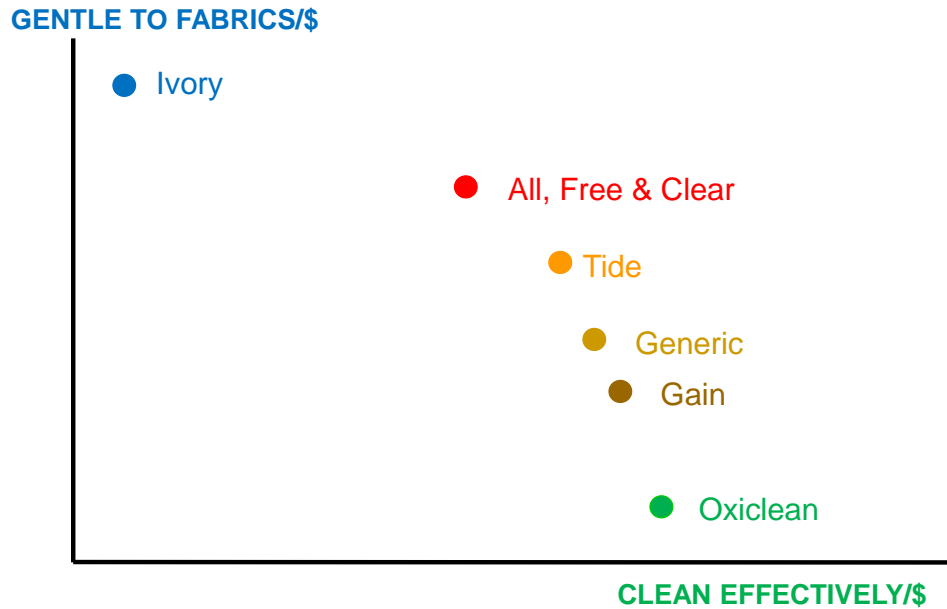
Similarity Judgments

	Very Similar					Very Dissimilar	
Ivory and Tide	O	O	O	O	O	O	O
All and Gain	O	O	O	O	O	O	O
Tide and Oxiclean	O	O	O	O	O	O	O
Gain and Generic	O	O	O	O	O	O	O

Figure 6. Similarity Judgments for Laundry Detergents

Often managers use positioning maps directly (Figures 2 and Figure 3), but sometimes managers create "value maps," where they scale positions by the amount of benefits that customers get per unit price. For example, Figure 7 provides a value map for laundry detergents. A value map is an alternative representation compared to the SUV positioning map which included "value" as a positioning dimension. Both methods are useful; the choice of method depends upon the visualization that the manager finds most helpful. For the remainder of this note we use values map because they make it easier to illustrate price-positioning competition. The same price-positioning concepts apply to positioning maps such as Figure 2, however, the insights are harder to illustrate.

Strategic Positioning

Positioning maps help managers position their brands. Many insights are straightforward—position your brand so that customers prefer your brand and position your brand to play to your strengths. However, these insights interact with the strategic implications that your positioning relative to competition is key to profits. We begin with the straightforward implications of customer and company strengths and then turn to the strategic implications.

GENTLE TO FABRICS/$

● Ivory

● All, Free & Clear

● Tide

● Generic

● Gain

● Oxiclean

CLEAN EFFECTIVELY/$

Figure 7. Value Map for Laundry Detergents

Customer. Consider a hypothetical market where the laundry market is highly segmented as in the left panel of Figure 8. In this hypothetical market there are two segments as described by the two preference vectors in Figure 8. Segment 1 strongly prefers a gentle detergent and is willing to sacrifice effective cleaning, while Segment 2 strongly prefers a detergent that cleans effectively, but is willing to sacrifice gentleness. In this market a brand should position either to match Segment 1 (as does Ivory) or to match Segment 2 (as does Oxyiclean). There is not very much demand for the brands in the middle of the market (All, Tide, Generic, and Gain).

The right panel of Figure 8 illustrates another hypothetical market. This market is also segmented, but the bulk of the demand in in the middle. Most customers want a product that makes tradeoffs between gentleness and effectiveness. Smaller segments care mostly about either gentleness or effectiveness. In this market, the brands in the middle, particularly All and Tide are likely to attract many customers. Ivory and Oxiclean still attract loyal customers, but fewer than they would in the highly segmented market described by the left panel of Figure 7.
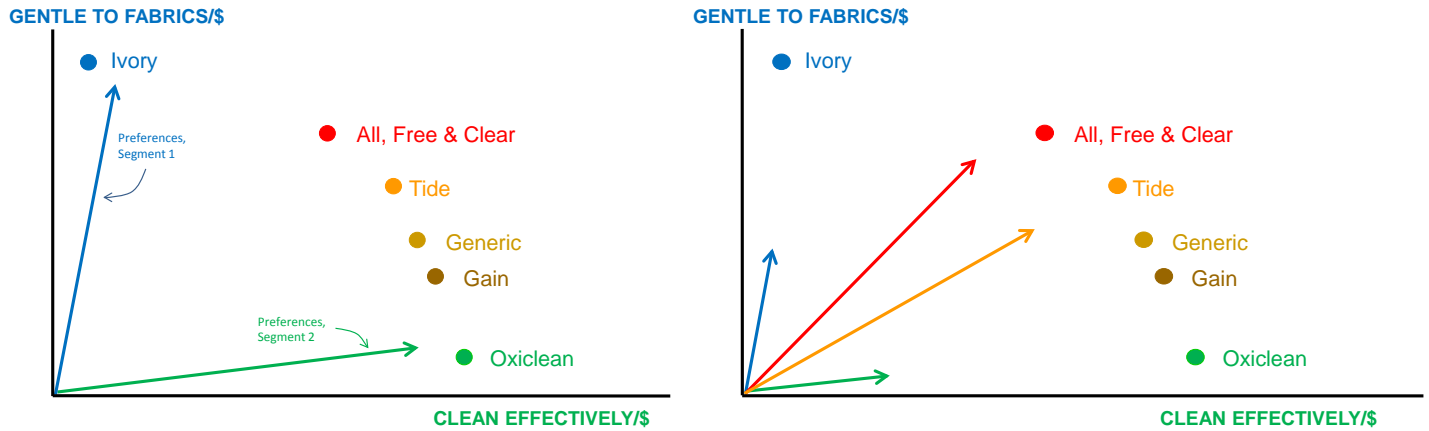
Figure 8. Segmented Markets (Hypothetical Examples)

Company Strengths. In the highly segmented market in the left panel of Figure 8 Ivory has an excellent brand position. But suppose the managers responsible for the Ivory brand wished to reposition their brand. They might be able to change customers' perceptions, but, likely, they would be limited by many factors. For example, the physical ingredients of Ivory might be designed to be gentle. Similarly, previous advertising might have effectively associated Ivory with gentleness. Such images are hard to change in the short run. Customers might also believe that a detergent cannot be both effective and gentle. The net result might be that Ivory is constrained in its ability to reposition as shown conceptually in Figure 9. Procter & Gamble might need a new brand with a different name or a brand extension (Extra-strength Ivory) to reposition further.

Competition. Let's return to the left panel of Figure 8 and focus on Ivory. Ivory has a near "monopoly" among Segment 1's customers. Those customers are willing to pay for gentleness. Because there are no other brands that fulfill the needs of those customers, Ivory will command premium prices. Similarly, Oxiclean will command premium prices among those customers who want effectiveness. All, Tide, Generic, and Gain will find few customers willing to purchase their products and will likely compete strongly for those customers by lowering prices and/or increasing marketing expenditures. Even in a market described by the right panel of Figure 8, Ivory and Oxiclean are likely to command premium prices among their customers. The number of customers who favor their products is fewer so demand is less, but Ivory and Oxiclean still serve "local monopolies." By local monopoly we mean a unique position on the position-

ing map. The uniqueness of their brand positions enable them to earn "monopoly" profits.
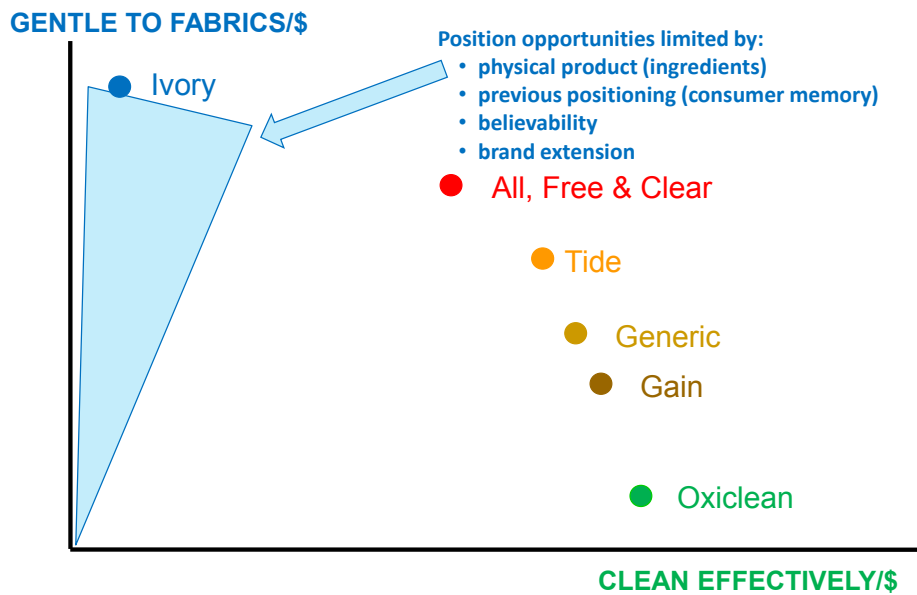

Figure 9. Ivory is Constrained in its Ability to Reposition

The lesson is generalizable. If you establish a unique positioning for your brand, you earn "monopoly" profits from those customers for whom you are the only product that matches their customer needs. This is true if your product has intellectual property protection (patent, trademark, etc.), but is also true if you "own" a perceptual dimension through marketing. (How do Apple's computers differ from competition? What is unique about the iPhone?)

However, there is more. Competition will attempt to prevent you from establishing a local monopoly. By the same token, a profitable "niche" is likely to attract competitors. The profits you will be able to earn depends upon your ability to manage your brand in this "strategic positioning game."

Consider the hypothetical market in the left panel of Figure 10. In this market there are many segments of customers; these segments vary in their desired tradeoffs between gentleness and effectiveness. Suppose that the managers of the Ivory brand were naïve. In repositioning their brand they ignore the fact that competition will respond. They might also ignore the possibility that if they abandon their local monopoly a new brand will enter to fill the position they vacated. Under these naïve assumptions, the managers of Ivory may be tempted to reposi-

tion toward the center of the market. Such a repositioning, if no other brand responded, would allow them to compete for more segments while retain the "gentleness" segments that want the gentlest brand. This temptation is shown in the right panel of Figure 10. (Oxiclean has similar temptations.)
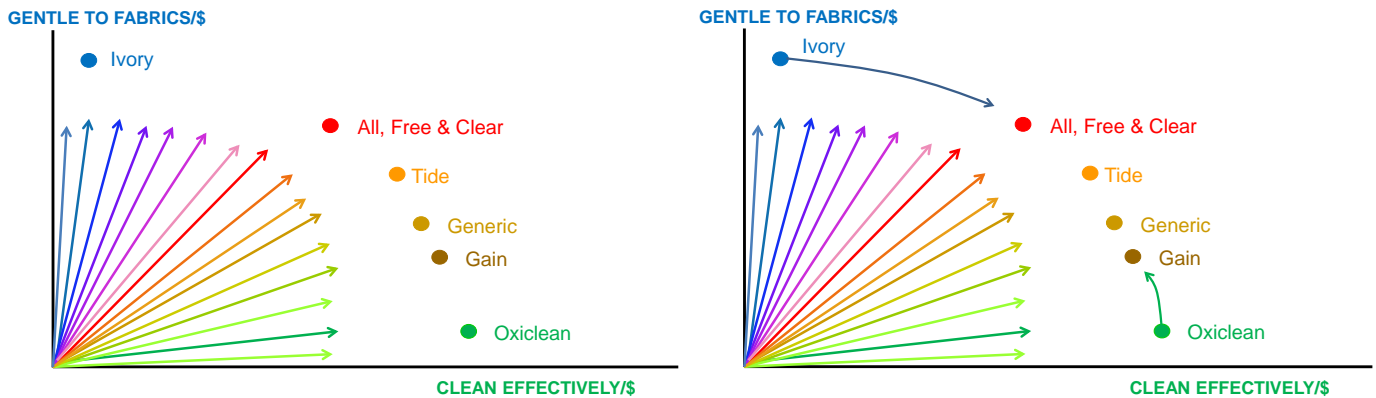
Figure 10. Naïve Temptations in a Less Segmented Market

If Ivory and Oxiclean reposition as shown in the right panel of Figure 10, the market will become more crowded in the center as shown in the left panel of Figure 11. In this market we expect All, Tide, Generic, and Gain to lower their prices and/or to raise advertising. Ivory and Gain would follow and a price/advertising war would ensue. The net result of the price and advertising wars would be zero profits. All profits would be competed away. If no new brands entered during the price-advertising wars (to replace Ivory and Oxiclean), the managers of Ivory and Oxiclean would finally come to their senses and retreat to their local monopolies. This is shown in the right panel of Figure 11.

Thus, even when markets are more uniform (less segmented) as in Figures 10 and 11, firms find it more profitable to seek unique positions and maintain those positions. Even if the "gentleness" segments are smaller, Ivory is likely to earn more profits if it has a unique position on gentleness than if it repositions toward the middle of the market. This is a key concept of marketing theory: ***differentiation = profits***.
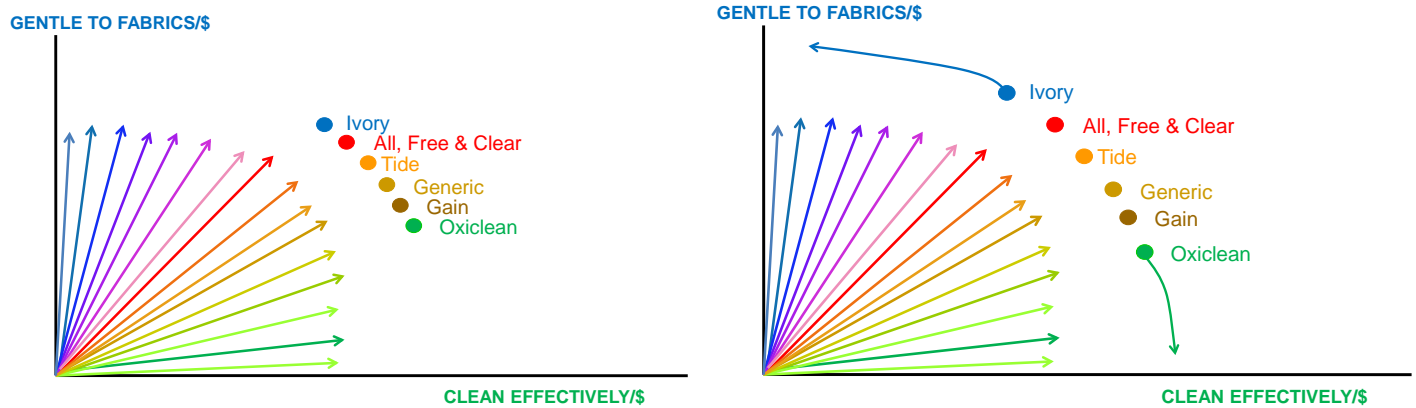
Figure 11. It is More Profitable to Position Away from Competition

A good marketing manager, whether dealing with established brands or as an entrepreneur, balances customer preferences, company strengths, and strategic competitive positioning. The manager thinks strategically anticipating how competitors will respond to any repositioning and, hence, seeks a unique (differentiated) position that enables the brand to earn "monopoly" profits. Positioning maps, even if they are based on judgment, provide the data and visualization to help make those decisions.

Summary of Lessons

The laundry-market positioning maps are hypothetical and stylized to illustrate the basic lessons. Real markets are more complex. There may be more dimensions along which to position, brand perceptions may not be as tightly defined, brands may have a product line with multiple products, a firm may have multiple brands, there may be new brands entering the market, and customers might have ambiguous needs. Nonetheless, the basic lessons apply.

- Know your customers' preferences and chose a unique brand position to fulfill customer needs.
- Know your company's strengths and choose a brand position that is consistent with those strengths. Relative strengths make it difficult for another firm to choose the same brand position.
- Know your competitive positioning and attempt to find (and defend) a unique positioning so that you earn "local monopoly" profits among your captive customers.
- Stay true to your "brand DNA."

To enhance your understanding of the concept of strategic positioning, consider the following examples. For a long time Apple ran effective advertising that positioned Apple's computers again PC's. What was Apple's position and why was it unique? For those unfamiliar with the advertising campaign, try http://www.youtube.com/watch?v=C5z0Ia5jDt4.

You chose to enroll at MIT Sloan. Why? Was there anything unique about MIT Sloan? How would you compare the brand positioning of MIT Sloan to that of the other top-ranked business schools? Do we have any unique strengths?

Choose an automotive brand—Ram trucks, BMW 3-series, Toyota Prius, Jeep, etc. If you are unfamiliar with US brands, choose those brands with which you are familiar. What are their images? Are any unique? What is about the vehicles and their advertising that reinforce their positionings?

Identify another product or service category. Do any of the brands in that category have unique positions? Do any of the brands have ambiguous positionings that could benefit from more clarity? Is there an opportunity in that product or service category to serve unmet customer needs and establish a unique brand position?

References for the Examples Used in this Note

DeSarbo, Wayne S., Rajdeep Grewal, and Crystal J. Scott (2008), "A Clusterwise Bilinear Multi-dimensional Scaling Methodology for Simultaneous Segmentation and Positioning Analysis," *Journal of Marketing Research*, 45, (June), 280-292.

Glen L. Urban and John R. Hauser (1993), *Design and Marketing of New Products, 2E,* Prentice-Hall, Englewood Cliffs, NJ.

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